

Message Text

CONFIDENTIAL

PAGE 01 TANANA 01554 080935Z

43

ACTION EB-03

INFO OCT-01 AF-04 ISO-00 AID-05 CEQ-01 CIAE-00 COA-01

COME-00 DODE-00 EPA-01 INR-10 IO-03 L-02 NSF-01

NSC-07 NSAE-00 PM-03 RSC-01 SCI-03 SS-14 SP-02

FEAE-00 DRC-01 /063 W

----- 036583

R 080804Z OCT 74

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 6619

C O N F I D E N T I A L TANANARIVE 1554

ABMO. 11652 GDS

TAGS: EINV, ENRG, MA

SUBJECT: MALAGASY GOVT CHARGSS AGAINST OIL MARKETING COMPANIES

REFS: A. TANANARIVE 1507

B. TANANARIVE A-135 OF 9/19/74

BEGIN SUMMARY: PRIVATE, LOW-KEY REPRESENTATIONS XADETY#
MALAGASY MINISTER ECONOMY AND FINANCE ABOUT MOVEMENT
RESTRICTIONS ON CALTEX ACR ESSO MANAGERS AND ENORMOUS
FINE LEVIED ON CALTEX. HE PROMISED REVIEW SITUATION, AND
EXPLAINED MOVEMENT RESTRICTIONS AIMED ONLY TO INSURE SENIOR
RESPONSIBLE OFFICIAL FROM EACH COMPANY AVAILABLE TO SIGN
"PROCES-VERBAUX" ON INVESTIGATIONS. HOWEVER, GIVEN
PROBLEMS INVOLVED IN ASSEMBLING FIGUES AND DOCUMEZS ON
COMPLEX EXPORT TRANSACTIONS OVER PERIOD OF YEARS, MAY BE
SOME TIME BEFORE INVESTIGATIONS ARE CONCLUDED. END SAGMARY.

1. I HAD PRIVATE, LOW-KEY WORD ON OIL MARKETING COMPANIES'
PROBLEMS WITH MALAGASY MINISTER ECONOMY AND FINANCE RAMAROSON
AT AIRPORT ON HIS RETURN FROM WASHINGTON OCT 7. I EXPRESSED

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TANANA 01554 080935Z

HOPE HE WOULD RECONSIDER (A) RESTRICTIONS ON MOVEMENTS OF

MANAGERS OF CALTEX AND ESSO SINCE THEY ARE RESPONSIBLE FIRMS AND (B) ENORMOUS FINE ON CALTEX IN VIEW TECHNICAL NATURE ITS VIOLATIONS OF FOREIGN EXCHANGE CONTROL REGULATIONS. I NOTED THAT SUCH ACTIONS AFFECT NOT ONLY THESE TWO COMPANIES, BUT DISCOURAGE OTHER FOREIGN FIRMS FROM INVESTMENT IN MADAGASCAR. IN LATTER CONNECTION, I MENTIONED SPECIFICALLY LIKELY EFFECT ON INVESTMENT IN MINERALS EXPLOITATION (HAVING IN MIND UTAH DEVELOPMENT AND COAL DEPOSITS AND U.S. STEEL AND ILMENITE DEPOSITS).

2. MINISTER SAID THAT ALL FIVE OIL MARKETING COMPANIES, INCLUDING SHELL, TOTAL AND AGIP, AND NOT JUST TWO AMERICAN COMPANIES, ARE INVOLVED IN FOREIGN EXCHANGE REPATRIATION PROBLEM. HE STATED THAT HE WOULD REVIEW SITUATION WITH HIS STAFF NOW THAT HE HAS RETURNED. HE ADDED THAT HE HAD IMPOSED RESTRICTION ON DEPARTURE OF MANAGERS FROM MADAGASCAR BECAUSE HE WECTED HAVE "PROCES-VERBAUX" OF INVESTIGATIONS SIGNED BY SENIOR RESPONSIBLE OFFICIALS, AND NOT BY LOWER RANKING INDIVIDUALS. HE INFERRED RESTRICTION WOULD BE LIFTED ONCE "PROCES-VERBAUX" SIGNED.

3. JULIAN DASHIELL, AMERICAN MANAGER OF CALTEX, HAD INFORMED EMBASSY OCT 3 THAT TOTAL NUMBER OF ALLEGED VIOLATIONS OF MALAGASY FOREIGN EXCHANGE REGULATION CHARGED BY GOMR AGAINST CALTEX HAS NOW BEEN RAISED TO 76, INVOLVING APPROXIMATELY \$3 MILLION OF EXPORTED PETROLEUM PRODUCTS. ACCORDING TO DASHIELL, IF GOMR LEVIES FINE ON CALTEX AT SAME RATE OF EARLIER FINE (REFS A AND B) COMPANY WOULD BE LIABLE FOR FIVE TIMES AMOUNT INVOLVED IN ALLEGED FOREIGN EXCHANGE VIOLATIONS, OR \$15 MILLION -- CONSIDERABLY MORE THAN TOTAL VALUE OF CALTEX ASSETS IN MADAGASCAR.

4. AS IN EARLIER CONVERSATION, DASHIELL ACKNOWLEDGED CALTEX WAS IN NUMBER OF CASES IN "TECHNICAL VIOLATION" OF MALAGASY REGULATIONS ON REPATRIATION OF FOREIGN EXCHANGE, BUT MAINTAINED CALTEX HAS NOW REPATRIATED ALL FOREIGN EXCHANGE EARNINGS TO THE LAST DOLLAR, MOST OF IT WITHIN THREE TO SIX MONTHS OF ACTUAL EXPORT SHIPMENT. HE REPORTED CALTEX HOME OFFICE HAS INSTRUCTED HIM NOT TO "ENGVE" FIRM
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TANANA 01554 080935Z

IN ANY COMMITMENT WITH GOMR PENDING INSTRUCTIONS AND TO AVOID ANY CONFLICT WITH GOVERNMENT. ACCORDINGLY HE HAS NOT SOUGHT NEGOTIATION OF CHARGES, BUT IS DEVOTING EFFORTS TO CLARIFYING ALL TRANSACTIONS CHALLENGED BY GOVERNMENT.

5. PIERRE GAUTRET, MANAGER OF ESSO, OCT 4 REPORTED NO CHANGE IN ESSO'S SITUATION FROM THAT OUTLINED REF A. ACCORDING TO GAUTRET, COMPANIES WERE NEVER ADVISED OF GOVT'S

30-DAY TIME LIMIT ON REPATRIATION OF FOREIGN EXCHANGE UNTIL
LIMIT FORMALLY ESTABLISHED BY DECREE THIS PAST JULY
7 BEFORE
JULY, 30-DAY LIMIT WAS ONLY SET FORTH IN CIRCULAR NOTICE TO
LOCAL BANKS, WHICH DID NOT ADVISE OIL COMPANIES. GAUTRET
INDICATED HE IS TAKING VERY LOW-KEY APPROACH TO PROBLEM,
HOPING GOMR WILL BE REASONABLE WHEN IT FINDS ESSO
REPATRIATED ALMOST ALL FOREIGN EXCHANGE WITHIN TWO OR THREE
MONTHS OF EXPORTS, WHICH IS NORMAL TIME LAG FOR PAYMENT OF
INTERNATIONAL OIL TRANSACTIONS.

6. DASHIELL REPORTED TOTAL SUMS INVOLVED IN GOMR CHARGES
AGAINST SHELL ARE FOUR TIMES THOSE OF CALTEX, WHICH COULD
MAKE SHELL LIABLE FOR FINE OF \$60 MILLION.

7. COMMENTS: WE ARE PASSING SUBSTANCE OF CONVERSATION
WITH MINISTER TO CALTEX AND ESSO MANAGERS. IN VIEW
PROBLEMS BEING ENCOUNTERED BY FIRMS IN ASSEMBLING FIGURES
AND DOCUMENTATION TO DEAL WITH ALL CHARGES MADE ABOUT
EXPORT TRANSACTIONS OVER CONSIDERABLE PERIOD OF TIME, IT
MAY WELL BE SOME TIME BEFORE GOMR "PROCES-VERBAUX" HAVE
BEEN COMPLETED IN FORM ACCEPTABLE FOR SIGNATURE. THUS,
MOVEMENT RESTRICTIONS COULD REMAIN FOR WHILE, BUT MINISTER'S
EXPLANATION WOULD INDICATE NOTHING MORE SINISTER INTENDED.
MENDENHALL

NOTE BY OC/T: #AS RECEIVED.

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, DETENTION, FOREIGN EXCHANGE CONTROLS, TRAVEL CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TANANA01554
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740285-0075
From: TANANARIVE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741062/aaaacaxl.tel
Line Count: 142
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. TANANARIVE 1507
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2002 by boyleja>; APPROVED <03 MAR 2003 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MALAGASY GOVT CHARGSS AGAINST OIL MARKETING COMPANIES
TAGS: EINV, ENRG, CASC, MA, US, ESSO, SHELL, CALTEX
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005